

Financial Management User Group
Minutes
July 26, 2007

Chief Accountants in Attendance

Joe Bengel	Russ Hecko	Lyle Ross
Lorie Blundy	Gena Hyde	Corey Sparks
Shirley Callahan	Preston Ilg	Patricia Schrauben
Al Christian	Raj Mehta	Kim Stephen
Ann Dennis	Juzer Modi	Anita Wooton
Mike Draschil	Suzie Nichols	Deb Wroubel
Joe Frick	Melanie Oudsema	Rose Zuker
Rick Harper		

Others

Jonah Allen	Latissa Dozier	April Malinowski	Jane Paxton
Beth Ball	Julie Earle	Kelly Manning	Amy Pung
Tim Becker	Lisa Fath	Tim Martin	David Quigley
Cindy Bloomer	Ron Foss	Ann Mazurek	Tracie Richards
Debbie Brady	Marge Fuller	Patrick McCarthy	Adreah Saxton
Jill Bronkan	Rachel Green	Angela McNulty	Sandy Theisen
Eileen Bur	Amy Henderson	Ruth Mealy	Cheri Thompson
Angela Burgtorf	Dane Hengesbach	Laura Mester	Robert Wines
Marilyn Carey	Chris Holly	Ken Mitchell	Arlene Wittenberg
Brian Curran	Codee Kirkby	Suzie Nichols	Peter Woodford
Hollie Dietz			

Opening Remarks

Laura Mester, Chair, opened the meeting at 2:00 p.m.

Budget Update

Filling in for Cathy Morse, Codee Kirkby reported that there has been very little progress on the FY2008 budget.

The Legislature is meeting on Wednesdays. The Office of Budget Development requested the names of individuals in each department that have user class 40 for entering allotments and appropriations. The SBO will continue to move forward with the budget as in past years. If there is an impasse, a contingency plan will be implemented.

The FY2008 allotment letter will be available soon. The FY2009 budget instruction letter is in the development stage and is expected to be out in August or September. The work project system is up and running through next week.

Treasury Update

The Treasury update was given by Eileen Bur.

1. PCI

- Continuing to work with the final two agencies on responses to the PCI questionnaire (related to credit card security requirements).
- Continue to work with DIT regarding quarterly PCI scans to gain compliance.

2. Michigan Business Tax (MBT)

- Many of Treasury's resources in the months ahead will be used to implement the MBT.
- We anticipate a large portion of our DIT resources will be for MBT; other projects may be put on hold.

3. Warrants - Protecting sensitive warrant information

- Met with DMB Internal Audit and OFM to discuss additional agency responsibilities.
- OFM and Treasury continue to work on these issues.

4. Wire Transfers (outgoing) update

- This function moved to Receipts Processing, Banking & Disbursements Unit.
- Making changes to the process and modifying the form that will be provided to agencies.

5. Escheats

- Pre-escheat cancellation requests are due to Kathy Young by August 10, 2007.

6. CEPAS

- Pay Point Consumer Payments (discussed at the May FMUG meeting);
 - DNR, DEQ, DCH, Agriculture, and Treasury expressed interest.
 - Based on that interest; we asked FDGS to consider providing free service to all five agencies during the first year; FDGS agreed.
 - E-MI web concern - design may not meet E-MI standards or ADA. Review is in process. Will work toward resolution of issues.
 - If we can get E-MI approval, we will add to the contract.
 - Time line has been established with the goal to have one application running by October 1.
 - We have prioritized agency applications for order of implementation; each of the five agencies will have an opportunity to review and suggest changes.

7. RAUG Subcommittee Update:

- Treasury has added to our Intranet page the meeting schedule and minutes of these meetings. Please see the following web address:
<http://connect.michigan.gov/portal/site/treasury/menuitem.6fbb47b6c302da383f7eb8b752b890a0/>
- Look under "Other Helpful Information," Cash Receipting Minutes.
- Last meeting for this fiscal year will be August 7, 2007, 10:30 – 12:00 noon
Constitution Hall - Joseph Sablich Conference Room (S. Tower - 5th floor).
- See separate handout on current status and update.

Roundtable Discussion

- David Quigley presented and discussed the following:
 - Year-end Statewide Billing Dates
The year-end schedule for internal service funds will be e-mailed to agencies.
 - CGI AP Payables Audit
Moving forward with the vendor to a “go/no go” decision as they complete the work on their pilot. To date, \$17,000 has been collected. As it is collected, agencies will receive their percentage in returns.
 - Procurement Card
Continuing to work with J.P. Morgan Chase; we are now using their new Payment F3 System. However, the interface is not yet working. Procurement Card Administrators have access to this information. Dave’s staff will assist if needed.

Cost comparison reports were forwarded to department directors and chief deputies.

OFM Division Updates

Support Services Division

In Doug Ringler’s absence, Marge Fuller, Jane Paxton, and April Malinowski provided updates.

- Training & Communications Section: Marge reported that the 3rd quarter PA 533 EFT monitoring reports were sent out.

We recently completed some training in Detroit for DLEG, which took advantage of their distance learning facilities. There were participants in Grand Rapids and in Detroit. If agencies have a MAIN FACS training need in these types of facilities, please contact Jill Bronkan, the training supervisor, to discuss the possibility of working with us. Jill may be reached at (517) 335-6581 or bronkanj@michigan.gov.

- Help Desk: Jane reported that on Contract and Payment Express, they are hoping to have a revised multiple EFT form in August. Although it won’t be on the web immediately. The bank approval was removed from the form. If using the current form, bank approval is still required. We’re adding a statement that says the individual who fills out the form is responsible for any errors they may have made that could result in missed payments. The new form will be on the OFM website.

The FAQs and some instructions will be in an unsecured area so that OFM can make updates quickly. That will appear sometime in the fall.

Jane asked agencies to make sure that if they plan to include some correspondence on the website with regard to EFTs, please contact Jane first. Help Desk calls increase substantially when information is missing.

Eileen Bur added that if and when the multiple EFT project is implemented, the form may need to be modified again because of the joint account ownership issue when more than one signature is required.

Laura also mentioned that in light of the identify theft protection act, we're researching encryption and whether we would encrypt data within storage, and what the cost would be. What other safeguards should be put in place to protect that data?

There were questions and discussion with regard to delaying of payments. Laura noted that agencies were encouraged to hold payments as long as possible. However, you should **not** hold a payment if it incurs additional cost for interest or penalties. Written guidance was requested.

- Security Analysis & Audit Analysis Section: April indicated that on the OFM website there is a link to the security administration. Included are security contacts, ASAs, forms, monitoring tools, meeting schedules, and more.

Due to security issues, we have removed access to the R*STARS 44 and 47 series screens (warrant/EFT payee information), from user class 15 and several other user classes. User class 34 was created to allow users access to the payee information. The number of users who now have access to the confidential payee information has been decreased from 5,201 to 2,003 users.

We have received and are reviewing the Internal Control Evaluation forms. The previously discussed survey is on hold.

With regard to the consolidation, April volunteered that for those who receive questions regarding users' security changes, tell them that security changes will be made after staff assignments have been finalized. April can be reached at 241-3798.

Payroll and Tax Reporting Division – Ruth Mealy Reporting

- An FMG section regarding "tax home," is coming soon.
- There will most likely be further adjustments to the Defined Benefit Retirement rates related to the executive order reducing the retirement rate contributions for FY07.
- Brian Curran and Jeremy Piggott created a design for improving the interfaces from HRMN and DCDS to the Payroll Clearing Fund related to some unrecoverable deductions that require manual cleanup. It will be implemented when time is available to process and test the necessary program changes.
- Continuing to do a quarterly process with Social Security Administration on social security number enumeration verification.
- Time and Expense project: waiting for a project manager to be assigned from DIT.
- Consolidation Effort:
 - HR consolidation has an August 26 implementation date. The HR directors and all of their staff will become Civil Service Commission employees. The funding will not be moved until 2007-2008 fiscal year. Initially, they will remain within their existing process levels. They will be assigned new HRMN department codes to allow them security across departmental lines relative to HRMN and DCDS processing.

The ability to administer security to allow for approval paths on labor distribution adjustments, data collection adjustments that feed into the labor distribution process will be very manageable.

- o There have been meetings with the departments gathering information specific to each department regarding the accounting and internal audit organizations and their concerns.
- o The State Budget Office (SBO) has formed six workgroups representing various agencies. Laura Mester, Doug Ringler, and Ruth Mealy are co-chairing along with someone from an agency. The complete listing will be included in Mike's status report.

The consolidation work groups are:

Funding model: Laura Mester, Patricia Lack (DMB)
 Internal audit consolidation: Doug Ringler, Allen Williams (DLEG)
 Accounting: Ruth Mealy and Barry Wickman (DOC)
 Policies and Procedures: Ruth Mealy, Myron Frierson (MDOT)
 Reporting needs: Laura Mester, Amy Henderson (DNR)
 Service level agreement: Doug Ringler, Pratin Travedi (HR)

On October 1, 2007, the expectation is that people will still be sitting where they are now and doing what they do now, getting the books closed.

Longer term, there may be physical moves, organizational consolidation of functions that can be centralized.

- First task of the accounting work group is to define the scope, which then can be applied to each agency in determining which positions need to be transferred to the SBO.
- Second task is to identify how the organizational structure should look on October 1, 2007.
- Third task, which will come later, is the ideal long-term state.

A notice will go out through your department contact person regarding a meeting open for all departments to send representatives to. Hopefully, SBO will send out prior to that meeting a first pass of a logical definition of how it should be consolidated. We want agencies to have opportunity for feedback and input.

The timeline is very aggressive. The scope will be defined by mid-August. In order to be able to have the mechanics of moving the people in HRMN by October 7th, we need to know whom they are by the beginning of September for the proper coding needed to establish positions and abolish positions.

The approach is to define a comprehensive list of accounting functions at a fairly detailed level. And then assessing those functions by volume, frequency, and amount of specialized knowledge needed to perform those functions.

Our goal is to have no disruption in operations within departments and SBO. We need your help in achieving that goal.

Accounting and Financial Reporting Division – Laura Mester Reporting

- Consolidation:
 - The funding model group will give a recommendation to the SBO by August 31. The kickoff meeting is July 30. Once we clarify and finalize the objectives of the group, a meeting will be scheduled open to all departments. There are currently five funding models identified. Patricia Lack is the co-chair with Laura, and Bill Maxwell (Maximus) is also involved to discuss the impact of each of the models.

The HR funding model workgroup will identify potential major cost components that would be included in the movement of resources. We want to make sure there is consistency with the groups. The administrative work group is looking at their funding model to see if we can leverage information that has already been pulled from each of those groups. We will identify consistent cost pools for all of those models that are charged to the agencies so that we can say that the cost components are included in the different funding models.

We are gathering as much information as we can for our recommendation. We are waiting until the current budget process is in place and then adjust agency budgets with the negative/positive supplemental. At the beginning of 2008, the budget will look like the budget does today. At a later date there will likely be a supplemental to incorporate how much gets moved from departmental budgets to the SBO.

Ruth noted that the mechanics on how they are moved depends on the status of the budget and the funding model itself. There are a few different mechanical ways we can do it in HRMN.

- The reporting needs group is focused on identification of the accounting and internal audit staff that are involved in the reporting functionality for executive offices or outside interest groups. If they are moved to the SBO those reports will still be provided by either the SBO or they may agree to keep them within the departments.
- The Year-end Closing Schedule was issued May 31. Agencies in the SBO will have until November 20th to process transactions. Planning to issue the CAFR by December 29. The schedule is similar to 2006.
- We recently sent out a component unit reporting letter to the CFOs asking that each agency evaluate their component units which they are currently reporting. Each year we need to evaluate all of the component units to determine whether they should be included in our CAFR. Feel free to contact Tim Becker at 241-0280 with questions.

There was discussion regarding ways for accountants to gain CPE hours. Corey Sparks noted that AGA is offering a seminar in mid-September.

Also, general discussion on agency single audit costs.

The meeting was adjourned at 3:25 p.m.

Respectfully submitted, Pam Beam